MEMORANDUM #BFB-13-01

TO: Municipal and County Finance Officers
FROM: Ryan Gleason
DATE: April 10, 2013
SUBJECT: Fiscal Year 2013-14 Budget Preparation & Submission Guidelines

STATUTORY AUTHORITY:
Section 6-6-2 NMSA 1978 defines the powers and duties of the Local Government Division (LGD) in relation to local public bodies. This section of law requires each local public body to furnish and file with the LGD a proposed budget for the next fiscal year on or before June 1 of each year. The LGD will then examine each proposed budget and, on or before July 1 of each year, approve an interim operating budget for use pending approval of a final budget. Additional information or corrections to the proposed budget may be required by the LGD in order to meet the requirements of law and grant certification of the final budget. The LGD will certify a final budget for each local public body by the first Monday in September of each year. The budgets, when approved, are binding upon all tax officials of the state.

Furthermore, the LGD is authorized to prescribe the form for all budgets, books, records and accounts for local public bodies.

PROPOSED BUDGET REQUIREMENTS:
The deadline to submit the fiscal year 2013-14 budget to the LGD is June 1, 2013. Commission, council or board approval by formal resolution of the proposed budget is optional at this date. Since the current fiscal year is not completed at this time, ending cash balances as of June 30, 2013 should be projected and used as the beginning cash balances on the proposed budget. The LGD will analyze the proposed budget and will notify the local public body if more information is needed and/or corrections made in order to grant certification of the final budget. Once the proposed budget is approved it becomes a legal binding document for operations until the final budget is approved and certified. Therefore, your proposed budget should be as complete and accurate as possible.
FINAL BUDGET REQUIREMENTS:

NEW REQUIREMENT: Beginning in Fiscal Year 2013-2014, a copy of the local public body’s internal budget with line item information must be submitted to the LGD. If there are issues with submitting a copy, please discuss the situation with your assigned LGD analyst. The deadline to submit the fiscal year 2013-14 required budget documents to the LGD is July 31, 2013. The final budget submission must include approval by the governing body and all supporting schedules (see below). The final budget must be submitted electronically to the LGD, in the required forms, and in Excel format. Sending hard copies of the final budget, in the LGD format, is optional. Once the final budget is certified by LGD, the certified budget supersedes the proposed budget and becomes the legal binding document for the current fiscal year.

SUPPORTING SCHEDULE REQUIREMENTS:
Supporting schedules are required by the LGD. The website containing these schedules is listed under the “Other Requirements and Relative Information” heading below. The supporting schedules include the following:

- **Property Tax Calculation Worksheet** – This worksheet can be used to forecast property tax revenue for the new fiscal year when the imposed mill levy rate will not change. If a local governing body changes the imposed mill levy rate, use the “2012 Property Tax Revenue Estimate Form Counties and Municipalities” worksheet to project property tax revenue.

- **Debt Schedule** – List all outstanding debt the local public body has, such as revenue bonds, general obligation bonds, and loans (NMFA, NMED, RUS, banks, etc.). For each debt listed, please note the DFA Fund number. For example, if there is an outstanding loan for fire trucks and the payments are being made from the State Fire Marshal’s distribution, the Fire Protection Fund 209 should be noted. Rows may be added to the schedule if necessary. Please submit this schedule to LGD with the final budget and send amortization schedules for all debt listed.

- **Form S-5 (DETAIL OF NON BUDGETED RESERVE REQUIREMENTS)** – If there are other reserve requirements set forth by the governing body which are in addition to LGD required reserves, please list them in this worksheet and be sure to note the LGD Fund number for each reserve amount. If any of the non-budgeted reserves are for grant matches, please be sure to have copies of the grant application(s) available should the LGD need a copy.

- **Revenue Checklist** – Use this checklist to list all GRT increments to be received, the amounts, and applicable DFA Fund numbers. Intercepted GRT payments should also be included in budgeted totals and reported separately in the last column of the checklist.

- **Form S-2 (SCHEDULE OF INSURANCE)** – Use this schedule to describe the various insurance premiums that the local public body is budgeting.

- **Personnel and Salary Schedules** –
NEW REQUIREMENT: All counties must complete the “County Elected Official Salary Schedule”. Counties and municipalities may use this schedule to list personnel and corresponding salaries. If more pages are needed please copy the existing blank pages and paste them below the originals in the Excel worksheet. Local public bodies may submit their internal personnel schedules in lieu of using the LGD schedule although the new “County Elected Official Salary Schedule” is mandatory for counties as stated above.

- **Investment Schedule** – This schedule should be used to list:
  - Pooled cash, including investments in the Local Government Investment Fund at the Office of the State Treasurer;
  - Long term investments;
  - Short term investments.

**Long term investments** that will not mature this fiscal year and will not be liquidated for current fiscal year operations should not be included in the operating budget. **Short term investments** with maturity dates set to expire within the budget fiscal year and will not be reinvested should be listed in the investment column on the LGD required budget forms.

**June 30, 2013 Quarterly Report Requirements:**

**NEW REQUIREMENT:** Beginning in Fiscal Year 2013-2014, internal financial statements must be sent in with every quarterly report, including the fourth quarter financial report ending June 30, 2013. These statements include the balance sheet and/or statement of net assets, income statement and/or statement of revenues, expenses and changes in fund net assets, and the statement of cash flows. The income statements and/or statement of revenues, expenses and changes in fund net assets should reconcile with the information on the LGD required quarterly report forms. July 31, 2013 is the deadline to submit the fiscal year 2012-13 June 30, 2013 Quarterly Report to the LGD. A copy of the signed recapitulation (recap) page of the 4th quarter financial report may be mailed, emailed, or faxed to the LGD. The June 30, 2013 Quarterly Report must be approved by the governing body.

**Other Requirements and Relative Information:**

- **Cover letter** – Submit a cover letter with the final budget. Please note that one-time temporary salary increases, otherwise known as bonuses, are not allowed and should not be budgeted. See the “July 2, 2008 Memo Performance Bonuses, Retroactive Pay Increases and Bonuses In Lieu of Pay Increases” memo for more salary information located on the LGD website at http://www.nmdfa.state.nm.us/Budget_Memos_1.aspx. If cash balances are used to cover budgeted expenditures, please discuss the circumstances in the cover letter. Cash balances are not typically used to support recurring budgeted expenditures. The cover letter must include the following:
  - Documentation of the governing body approval of the final budget;
o Documentation of the governing body approval of the June 30, 2013 quarterly report;
o Budgeted audit cost(s);
o Total number of full-time employees;
o Total salaries;
o Total benefits, and
o The average percent salary increase, if applicable.

- **LGD Reserve Requirements** –
o One twelfth of budgeted General Fund Expenditures for municipalities;
o Three twelfths of budgeted General Fund Expenditures for counties; and
o One twelfth of budgeted Road Fund Expenditures for counties.

It is permissible to use general fund reserves during the course of the fiscal year as long as the reserves are replenished by fiscal year-end so that the municipality or county will not create cash flow problems in the succeeding fiscal year.

- **Budget Forms** - The LGD prescribed budget and quarterly report forms are required to be used by all local public bodies. The format should not be altered in any way. Use of other formats will be allowed only for the proposed budget submission with concurrence by the respective LGD analyst. All LGD Forms can be viewed and downloaded from the LGD / Budget and Finance Bureau website. The URL is:
  http://www.nmdfa.state.nm.us/Forms_and_Pilot_Project_Forms_1.aspx.

Please share this memorandum with every member of your governing body, i.e. commissioners, mayors, councilors, trustees, board members, etc. If there are any questions or concerns, please contact your local public body’s assigned LGD analyst. Thank you.

Cc: Sam Ojinaga, LGD Deputy Director
   LGD/BFB Analysts
   Carla Martinez, Deputy State Auditor
   Antonio Corrales, State Auditor’s Chief of Staff
   Bill Fulginiti, NMML Director
   Paul Gutierrez, NMAC Director
   All COG Executive Directors